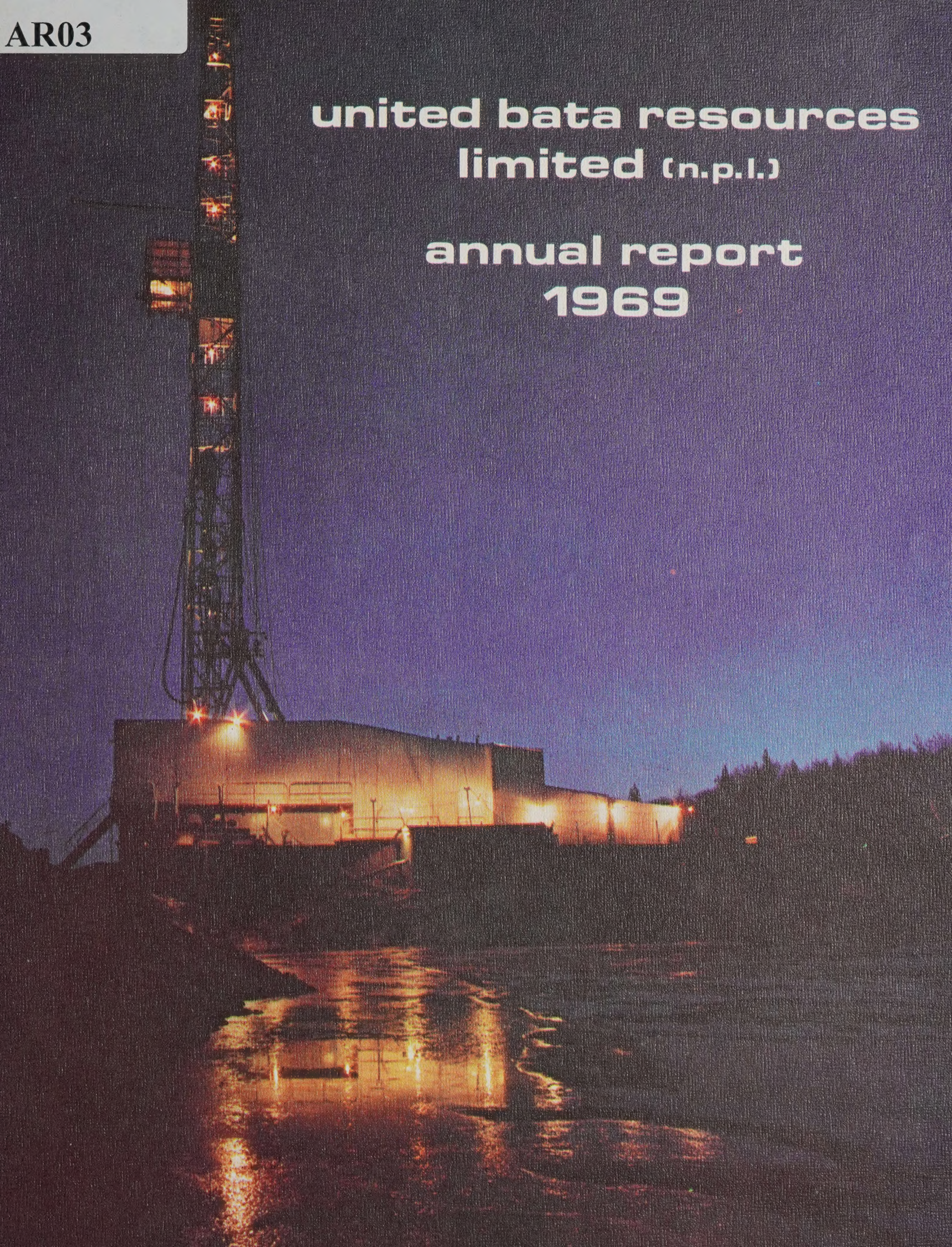
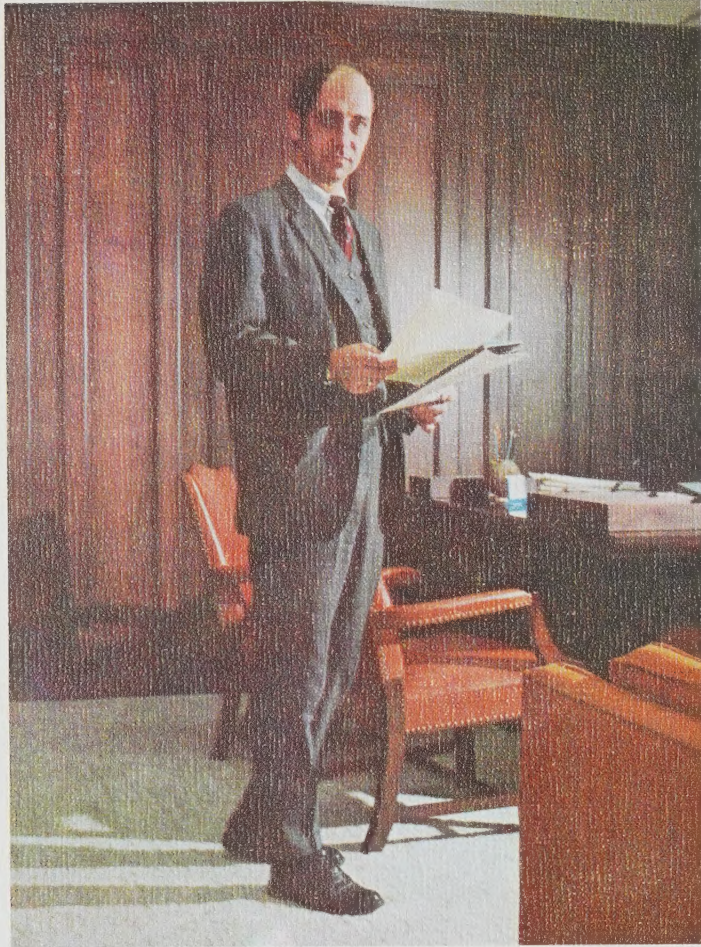


**united bata resources  
limited (n.p.l.)**

**annual report  
1969**







*A. A. W. Kryczka, President, United Bata Resources Limited (N.P.L.)*

#### *FRONT COVER*

*Night drilling scene, at the Callum 15-15 exploratory well in the Happy Valley area, 60 miles south of Calgary. UBR has a 10% net interest in this prospect.*



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REPORT  
OF THE  
DIRECTORS



To the Shareholders of United Bata Resources Limited (N.P.L.)

United Bata has reached an important milestone in its brief history — the completion of its first year of operations. We take pride and pleasure in presenting to you, our Shareholders, the Company's first Annual Report since its incorporation in the Province of British Columbia on October 21, 1968, and commencement of active operations on December 20, 1968.

United Bata was incorporated specifically to merge the assets and unite the independent petroleum and mineral activities of Stampede Oils Ltd., Bata Resources Limited, and Galaxy Copper Ltd.

We are pleased to report that the Company has made excellent progress in natural resource exploration and development but of equal importance is the fact that United Bata has emerged as a sound and respected corporate entity guided by an experienced and professional management group.

The primary area of activity for United Bata has been and continues to be the very important Strachan-Ricinus gas field in west-central Alberta. From the Company's interests in this area we expect important initial benefits to accrue. In addition, exploratory programmes in new areas with indicated potentials comparable to Strachan were undertaken at Blackstone, Chungo, Sturrock and Happy Valley in Alberta; at Bowser Basin in British Columbia; at Avonlea in Saskatchewan; and in the Alaskan North Slope area.



The wellhead at Gulf et al Strachan 11-22. UBR holds a 33.75% working interest in this well which encountered over 600 feet of gas pay zone in the Leduc Reef.

United Bata has varying exploration holdings as far north as the Mackenzie Delta and Beaufort Sea in the Arctic Ocean and as far south as Montana and Wyoming in the United States. The Company's interests also extend from British Columbia in the west to the Lake Erie region in southern Ontario in the east.

United Bata is committed to an aggressive and soundly-planned exploration and development programme which will result in the building of a major natural resource producing company to provide worthwhile, long-term benefits to the Shareholders. Your Directors believe the Company has made very important progress in working towards this goal.

CORPORATE AND FINANCIAL

Share Capital

At October 31, 1969, the Company's issued capital may be summarized as follows:

Issued to:	No. of Shares:
Subscribers . . . . .	7
Bata Resources Ltd. for net assets . . .	2,764,215
Galaxy Copper Ltd. for net assets . . .	1,831,788
Stampede Oils, Ltd. for net assets . . .	3,206,012
Debenture - holders upon conversion	493,000
Employees etc.	
under option agreements . . . . .	136,668
Total . . . . .	8,431,690



Initial construction at the Gulf-UBR \$20 million gas processing plant scheduled to go on stream in November, 1970. UBR holds a 20% interest in this project.





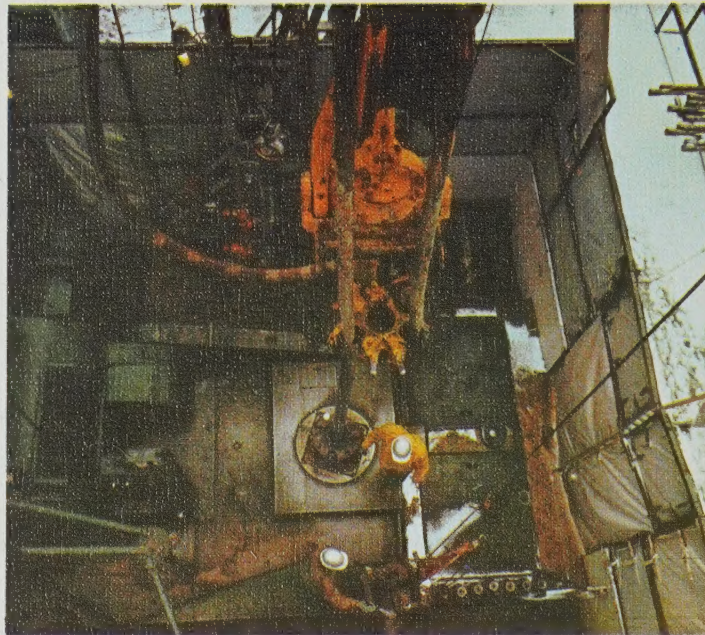
*The gas plant now under construction in the Strachan-Ricinus area will be similar to this completed plant in the same vicinity. U.B.R.'s production from the new plant will be sold to Trans-Canada Pipelines Limited under a 25-year sales contract.*

United Bata was listed on the Vancouver Stock Exchange on March 31, 1969. The Company is currently processing a formal application for listing on the Toronto Stock Exchange and expects to conclude matters early in the first half of 1970.

### **Banking**

In July, 1969, the Company concluded a production loan agreement with the Bank of Montreal whereunder the Bank agreed to lend the Company up to \$7,000,000 as required. This credit is secured by assignments under Section 82 of the Bank Act covering the Company's interest in 6 sections of its Strachan-Ricinus holdings with provision that the Bank, if requested, will release portions of this security prior to repayment if and as such holdings appear excessive to their usual security requirements. The loan is repayable (with full prepayment privileges) in equal monthly installments over a seven-year period commencing in January, 1971, or upon initial receipt of revenues received under our sale contract with TransCanada PipeLines Ltd. whichever first occurs.

About \$4,000,000 will be required to cover the Company's indicated interest in the cost of a gas plant and related gathering system facilities now under construction in the Strachan-Ricinus district. Completion is scheduled for October, 1970, and the plant should go on stream shortly thereafter.



*Drilling operations at the Company's exploratory well in the Blackstone area. During 1969, UBR participated in drilling 12 exploratory wells.*

Present projections indicate that United Bata's share of revenue from Strachan-Ricinus sales will be approximately \$4,500,000 per annum. This source alone should amply provide for loan repayments.

We look upon this banking arrangement as being one of the more significant features of our year particularly having regard to present tight-money policies.'

### **Cash**

The assets acquired from predecessor companies were not strongly represented by producing interests and in the result your Company has, through 1969, depended on other sources of funds to provide the means by which it has been able to maintain its exploratory and other programmes at a desirable level.

Reference to the Statement of Source and Application of Funds will readily indicate the diverse techniques employed to secure funds during the review period.

During the coming year we will naturally emphasize our capacity to draw against our bank loan as our needs may dictate.

We have also developed an excellent working relationship with a group of companies whose treasuries



*Typical foothills terrain at the site of the Blackstone 8-3 wildcat well in which UBR will retain a 12% net interest.*

permit their selective participation in exploratory opportunities open to United Bata. This arrangement which allows United Bata to compete for ventures at a major level, worked effectively during 1969 and we expect to continue to call upon this group to ensure continued broad exploratory exposure.

Earlier it was noted that gross revenue from Strachan-Ricinus would average \$4,500,000 per annum. On this basis, cash flow would substantially exceed bank-loan repayment obligations and we anticipate these surplus funds should provide most of our cash needs subsequent to 1970. We expect, and are confident that this source will be augmented not only by the development of further reserves and sales of production in the Strachan-Ricinus area but by success in other areas in which your Company holds significant interests.

We continue to explore all possibilities of developing cash participation on the part of others in current pending and anticipated exploratory programmes with which we are or will be involved.

The Company has also examined possible expansion through corporate acquisitions and will continue to do so during the year 1970.

### **Expenses**

Any emergent company incurs substantial setting-up costs during its period of organization and United Bata,





particularly because of its complex involvement with the affairs of three predecessor corporations, is no exception. Certain expenses set forth within the Financial Statements must therefore be considered in such light and should not be construed to be part of a continuing pattern.

## Staff

United Bata has strengthened its staff with the acquisition of experienced and professional management in the areas of petroleum exploration and development, land management, finance and accounting. It is our belief that management and staff have done an outstanding job during the past year and that the continued efforts of this group will be a vital key to the continued success of this Company.

## OPERATIONS

### Exploration and Development

During the past year the Company operated and participated in an intensive programme of both petroleum and mineral exploration in British Columbia, Alberta, Saskatchewan, Ontario and the Northwest Territories. Land acquisition on mineral and petroleum prospects was concentrated in prominent exploration areas of Canada and Alaska. Drilling activity was confined to those lands on which prime geological and geophysical anomalies were outlined.

Detailed information on these operational activities is set forth elsewhere in this report.

### Production

#### OIL

United Bata's oil production for the ten-month period January - October, 1969, totalled 17,102 barrels — which figure pro-rates to 20,520 barrels on an annual basis.

Production in 1970 could increase somewhat depending on allowables.

#### GAS

If the Strachan plant operates at initial design capacity, the gross annual production will be as follows (based on 350 operating days per year):

Residue natural gas	70 billion cubic feet
Sulphur	290,500 long tons
Pentanes plus	1,750,000 barrels

Based on United Bata's indicated interest, our share of this production from Strachan will be about 20%.

## 1970 OUTLOOK

Oilmen in Canada and the United States will remember the year 1969.

During the first half of 1969, significant additions to newly discovered gas reserves at Strachan-Ricinus in west central Alberta coupled with reports of large new oil reserves at Prudhoe Bay on the North Slope of Alaska, and a vigorous exploratory drilling programme in the Canadian Arctic Islands provided the petroleum industry with a new enthusiasm for exploration.

Canadian production rates also grew during 1969. Natural gas sales increased by 500 million cubic feet per day or 14% to total in excess of 4 billion cubic feet daily and liquid hydrocarbon sales gained 121,000 barrels per day or 10.2% to total 1,138,000 barrels per day. Gas exports to the United States increased 11.4% to average 1.85 billion cubic feet per day. These increased sales enabled total national revenue from export sales of crude oil, natural gas and related products to reach \$700,000,000. Forecasts for 1970 suggest that domestic demands for Canadian crude will increase from 4% to 6% and natural gas sales to both domestic and export markets will increase by at least 10%.

In order to keep pace with such increasing demands for Canadian natural gas, crude oil and refined products, the tempo of exploration set in 1969 must be sustained.

Exploration emphasis will undoubtedly be directed toward the establishment of large new gas reserves along the foothills belt of Western Canada and large new oil reserves in Canada's Northern sedimentary areas.

United Bata's current land holdings in both the Alberta foothills and Northern Canada are sizable and will provide the Company with good exposure in these attractive areas.

Highlights for the year 1970 will include the drilling of a minimum of 12 wells, the completion of the Strachan gas processing plant and the continuation of an aggressive exploration programme.

The Board of Directors wishes to advise that P. DeZwirek, B. Kosman and R. C. Henson, presently members of your Board, will not be standing for re-election at the forthcoming Annual Meeting. Messrs. DeZwirek, Kosman and Henson were all founding Directors of United Bata Resources Limited (N.P.L.) and their material contributions to the growth and success of the Company are gratefully acknowledged.

Submitted on behalf of the Board of Directors.

F. A. Schultz,  
Chairman

A. A. W. Kryczka,  
President

January 31, 1970





# EXPLORATION AND DEVELOPMENT



## EXPLORATION AND DEVELOPMENT

To December, 1969, the Company participated in the drilling of twelve exploratory and three development wells in British Columbia, Alberta, Saskatchewan and southern Ontario. Of these, one exploratory well was drilled in British Columbia, nine in Alberta and two in southern Ontario. Two development wells were drilled at Strachan, Alberta, and one development well was drilled in Saskatchewan.

Original and interpretive geophysical programmes were conducted in Alberta at Blackstone, Chungo, Sturrock, Strachan-Ricinus and Happy Valley. In Saskatchewan a similar geophysical programme has been completed on the Avonlea project.

United Bata's expanding land programme has resulted in the acquisition of 4,397,232 gross acres covering petroleum, natural gas and mineral rights. Land acquisitions were concentrated in prominent exploration areas of Canada and Alaska. Key to the growth of United Bata is the Company's extensive holdings in the Strachan-Ricinus area of Alberta, scene of Western Canada's newest and most active gas and oil plays. The Company has also acquired an extensive portfolio of petroleum and mineral lands in Alberta, British Columbia, Saskatchewan, the Arctic and Eastern Canada.

The following is a current and detailed review of United Bata's 1969 exploratory and development operations. Where appropriate, work in progress and planning for the year 1970 is also discussed.

### ALBERTA

#### STRACHAN-RICINUS

Since drilling the discovery well, Stampede BA Strachan 6-33, in 1967, United Bata and partners have added 46 sections (29,440 acres) to the original 36 sections (23,040 acres) of farmout and option lands at a cost of approximately \$10,000,000. The Company now has interests ranging from 9.074% to 33.75% in 52,480 acres.

After the initial discovery, a follow-up well, Strachan 11-27, was completed, establishing more than 700 feet of net gas pay. A third well, Strachan 11-22, was drilled and completed after encountering in excess of 600 feet of pay.

These wells resulted in the negotiation of a 25-year sales contract with TransCanada Pipelines Limited and awarding of the gas plant contract.

During 1969, United Bata participated in the drilling of four deep wildcat wells in an attempt to add to the already established reserves. These holes were located from three to eight miles from the proven contracted area. One hole encountered a thin zone of gas pay in the Leduc Reef and this well is currently suspended. The others were dry holes.

A development well, Strachan 11-28, in the contracted gas area is currently being completed after drilling into the reef and establishing 360 feet of net gas pay which was of a higher quality than that found in previous drilling. One or two new development wells will also be drilled to provide additional deliverability to the gas plant.

A recent gas discovery, Banff et al Ricinus 6-25, located one half mile from United Bata lands, encountered over 600 feet of pay in the Leduc Reef. This confirmation of the presence of another thick gas laden Leduc Reef reservoir near acreage in which United Bata holds a 16.503% net interest could prove to be of considerable importance to the Company. Plans are being formulated for drilling on the partnership lands adjoining the Ricinus 6-25 discovery.

Major operators are developing prolific gas and oil reserves in the Cardium Sand and Leduc Reef in the Ricinus area south of the Strachan field. United Bata participated in the drilling and successful completion of one well (16-26) to evaluate the Cardium Sand.

Data gathered to date from all wells drilled in the area confirms the presence of the Cardium reservoir and indicates that additional lands, in which United Bata has a working interest, will be productive. Development plans are now being formed.



R.10 R.9 R.8 W.5M.

T.38

GULF-UNITED BATA  
PARTNERSHIP  
STRACHAN GAS PLANT  
(Under Construction)

T.37

T.36

T.35

6-7

10-17

6-33

11-28 11-27

10-21

11-22

10-24

10-34

16-26

6-25

7-28

52,480 GROSS ACRES  
9.074%-33.75% NET INTEREST

# STRACHAN-RICINUS AREA

SOUTHWEST ALBERTA

- WELL STATUS
- LOCATION
  - ◐ DRILLING
  - OIL
  - ✱ GAS
  - ♂ SUSPENDED
  - ✧ ABANDONED

- UNITED BATA  
ACREAGE INTERESTS
- NET 33.750% (light blue)
  - NET 19.440% (dark green)
  - NET 16.503% (medium green)
  - NET 9.074% (yellow-green)



Clearwater River





*Winter drilling conditions at UBR's Blackstone well.*

#### **BLACKSTONE-CHUNGO-STURROCK AREA**

Favorable reservoir rocks are known to exist in this area from surface geology and previous drilling. Geophysical work has outlined several structural anomalies and drilling, in addition to that in progress, is planned to evaluate the most prominent seismic features. The lands involved in these three projects are comprised of five contiguous petroleum and natural gas reservations totalling 131,040 gross acres.

On the 23,200-acre Blackstone reservation, drilling of the earning well commenced on August 30, 1969, and the well is currently drilling below 11,000 feet toward the Mississippian and Devonian objectives. United Bata is the operator and will have a 12% net interest in the lands upon completion of the current well.

United Bata has taken a 25% interest in a shooting option, on the Chungo block of 69,120 acres which covers part of a prominent surface structure known as the Chungo Anticline. The seismic programme has been completed and a review of the geology and geophysics of the area is in progress. Results of this work and the results of current drilling activity in the area will determine whether United Bata will proceed with its option to drill an earning well on this acreage before September, 1970.

Adjoining the Chungo block to the southeast is the Sturrock project area. Here 38,720 reservation acres were acquired through farmout and a 9,000-foot well to test the Mississippian formations spudded on January 31, 1970. This acreage appears to contain an extension of the structures present on the Chungo and Blackstone blocks. United Bata will be the operator of this venture and will hold a 50% working interest.

#### **HAPPY VALLEY**

A 10% net working interest has been retained in 44,800



reservation acres located on a prominent foothills structure in the Callum Creek area of southwestern Alberta, 60 miles south of Calgary. A seismic survey over part of the lands outlined both shallow and deep structures and a 10,000-foot test is currently being drilled at no cost to the Company.

SASKATCHEWAN

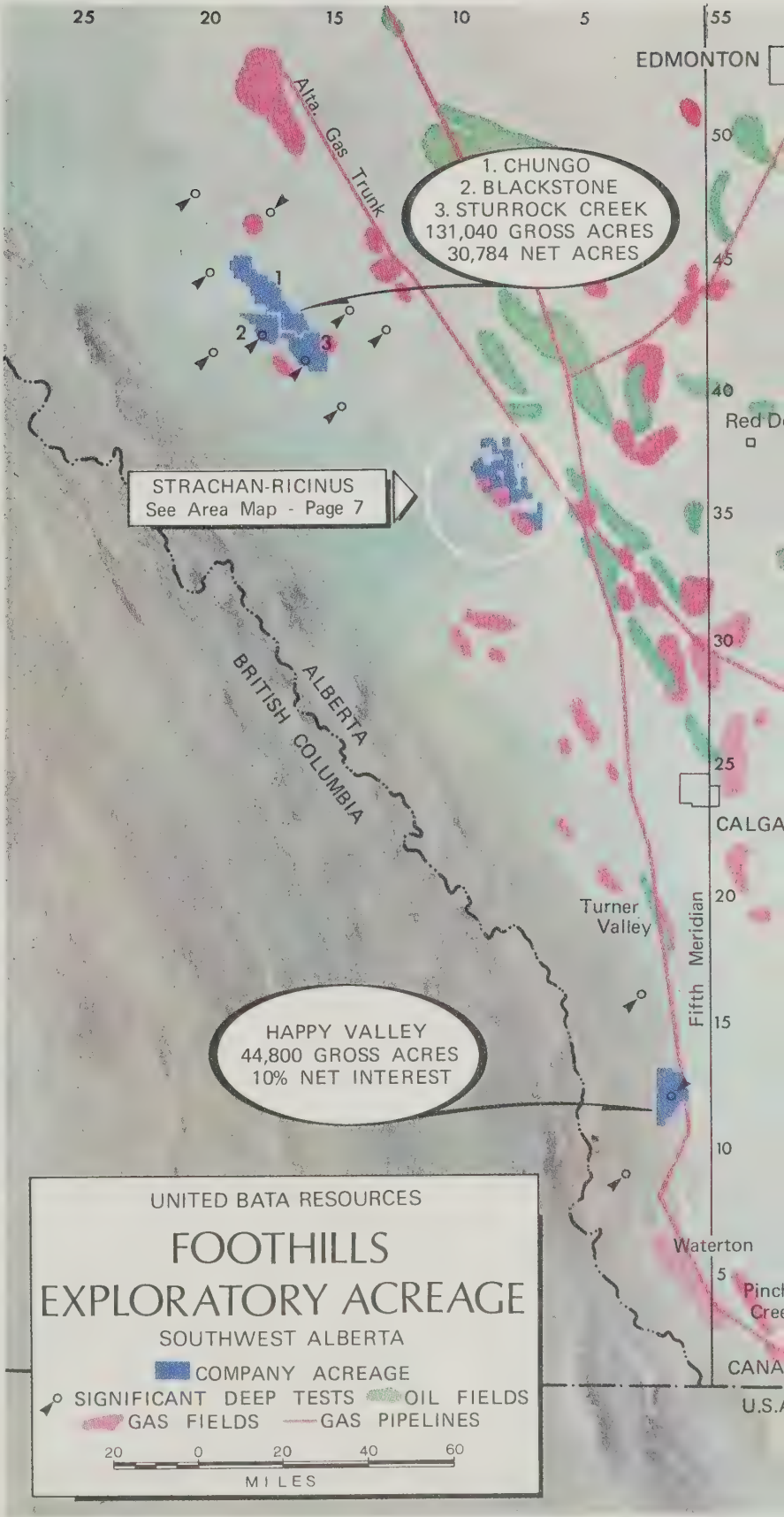
At Avonlea, twelve miles southwest of Regina, United Bata and partners concluded an agreement with two major companies under which the farmeers will drill three deep tests before August 1, 1970, to earn a 50% interest in some 90,000 acres of leases and permits.

Seismic work has outlined several anomalies and drilling of the first well will commence in the spring.

SOUTHERN ONTARIO

United Bata is participating in a minimum seven-well shallow gas play in Norfolk and Elgin Counties. This prospect is in an area whose production history dates back to the early 1900s. The combination of high market price and the shallow depths and low completion costs make the area very attractive.

Some 50,000 lease acres are involved in the project and the Company will have an 18¾% - 22½% net interest in the lands. Results of drilling to January 15 are one well waiting on completion, two dry holes and one drilling. In addition a suspended gas well has been purchased and will be completed shortly.





## BRITISH COLUMBIA

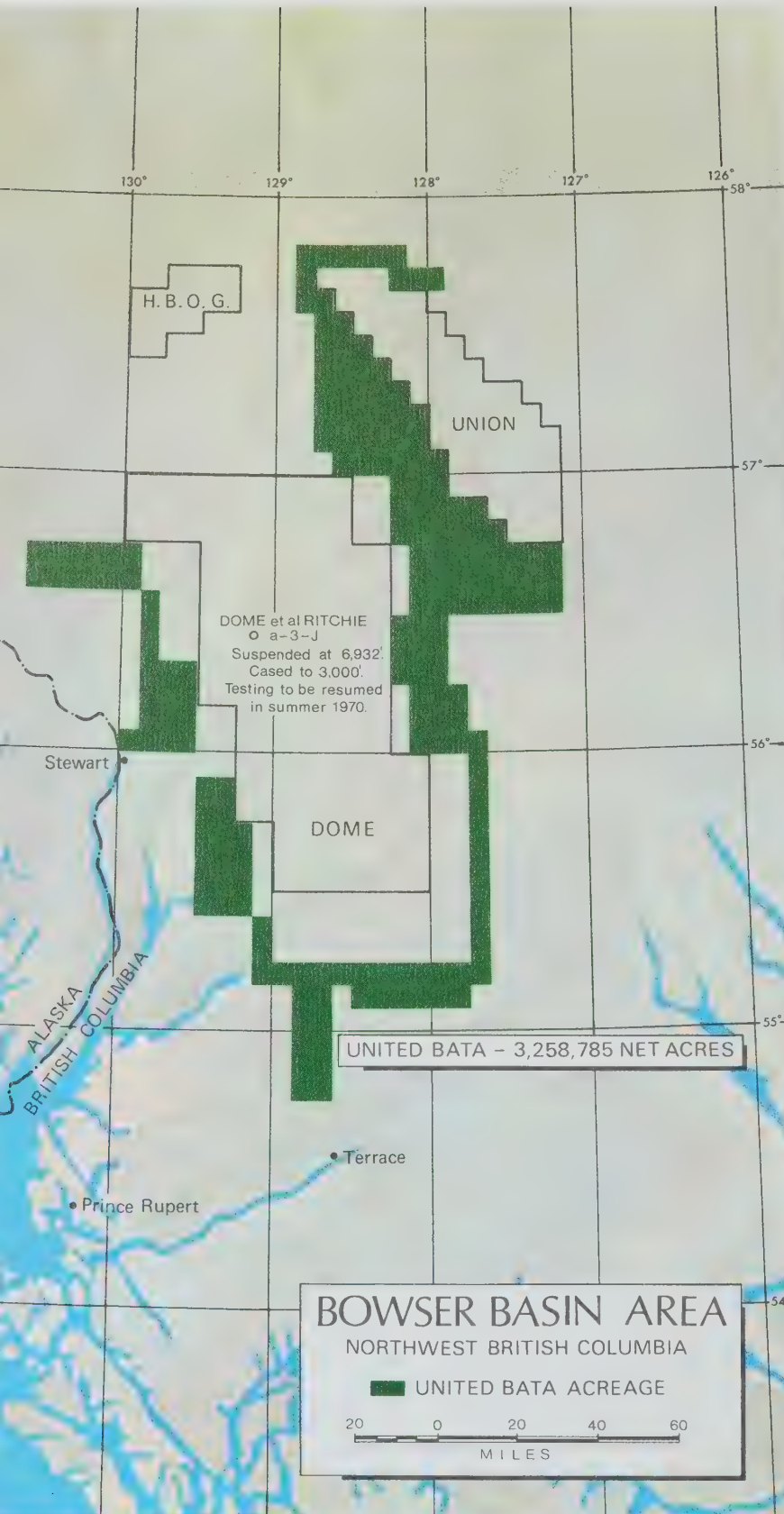
Early in 1969, United Bata acquired petroleum and natural gas permits totalling 3,258,785 acres in a large, unexplored, intermontane sedimentary basin in northwestern British Columbia. This, the Bowser or Skeena Basin, is located just east of the Alaska Panhandle's southern tip and is connected by road to Stewart, a tidewater port at the head of the Portland Canal.

The hydrocarbon potential of this large basin is being tested by Dome Petroleum and Canadian Pacific Oil & Gas in their Ritchie well which was drilled to 6,932 feet. The well is currently suspended due to weather conditions in the area.

United Bata has commenced reconnaissance geological studies in the area and plans call for additional work on specific areas of interest during the 1970 field season.

The Company still retains a 100% interest in these permits which total 3,258,785 acres.

*The Bowser Basin region in northwest British Columbia where UBR will carry out exploratory work on part of its 3,258,785 wholly-owned permit acres in 1970.*





## NORTHWEST TERRITORIES

North of the Arctic Circle, in the Mackenzie Delta-Beaufort Sea area, the Company retains gross overriding royalty interests which vary from ½% to 3% in 524,551 permit acres.

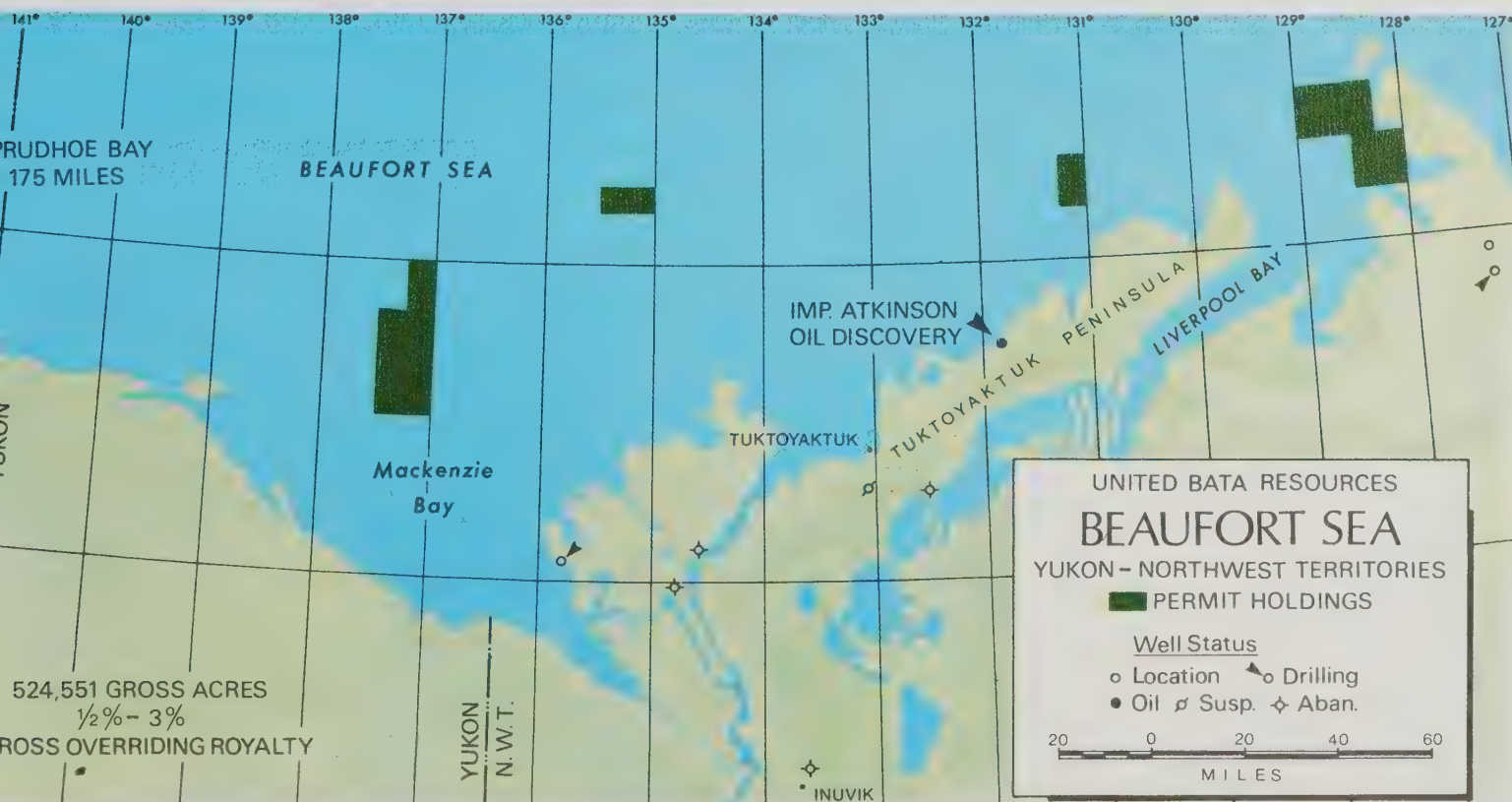
Considerable attention is being focussed on this area by the industry following the recent announcement by Imperial Oil and the Canadian Government that oil has been found in a wildcat well at Atkinson Point. While it is too early to assess the full significance of this announcement, interest in the area as a result of this discovery, the Alaska North Slope sale and Panarctic drilling will assure a high level of activity in the Delta-Beaufort Sea area for several years. Some of United Bata's lands are located less than 35 miles from Imperial's oil discovery.

## ALASKA

The Company has retained a 45% interest in 35,214 acres of prior filing rights. These lands, selected from an original spread of some 140,000 acres, are in the Foothills belt, which separates the Brooks Range from the Arctic Coastal Plain. Most of the land is within the moderately folded Northern Foothills and the parcel nearest to Prudhoe Bay production is located 65 miles southwest of the discovery area.



The Mackenzie River Delta near the Beaufort Sea. UBR holds gross overriding royalty interests in 524,551 acres in this area where a recent oil discovery will result in a substantial increase in exploration activity.







*UBR has strengthened its senior management during the past year. Left to right, they are: J. B. Cotsworth, W. H. Price, A. A. W. Kryczka, J. K. Grove and N. S. Brumwell.*

## ADDITIONAL OIL AND GAS HOLDINGS

### ALBERTA

The Company has a 10% interest in eight producing Devonian oilwells in the West Drumheller field, a 7½% interest in a Devonian oilwell at Malmo and a 20% interest in a Keg River oilwell at Rainbow Lake. A 25% interest is owned in a shut-in Jurassic gas discovery and 2,380 acres in the Comrey-Manyberries area of southern Alberta.

### SASKATCHEWAN

United Bata owns small interests in three oil units and one gas unit in the Eureka-Doddsland area of southwestern Saskatchewan and a 100% working interest in one oil well at Kisbey. At North Benson, the Company has an interest in two suspended oilwells.

### BRITISH COLUMBIA

In northeastern British Columbia, the Company has a 50% interest in 3,402 acres at Paddy and a working and gross overriding royalty interest on some 8,646 acres in the Shekilie Area.

### MONTANA

United Bata has a 37½% interest in some 32,000 acres in the Bowdoin area. These lands were acquired as a shallow gas prospect and are being maintained because of indicated deep drilling in the area by other companies.

## MINERAL EXPLORATION

The Company's mineral exploration programme involves our participation in three separate projects located in the Kamloops and Revelstoke areas of British Columbia and near Thelon Lake in the Northwest Territories.

### KAMLOOPS, BRITISH COLUMBIA

The Galaxy Copper Prospect consists of 46 located and six Crown granted mineral claims, six miles west of the city of Kamloops. All current exploration and development on this 52 mineral claim block is being conducted by Kimberley Copper Mines Ltd. (N.P.L.) under an agreement with United Bata. Kimberley will earn a net 50% interest for an expenditure of \$400,000 on the property.

Following earlier investigations which included geochemical surveys and exploratory diamond drilling, Kimberley is now carrying out an underground bulk sampling programme.

### THELON AREA, NORTHWEST TERRITORIES

The Company acquired a 170,000-acre mineral permit in this area which is located some 300 miles north of the Wollaston Lake, Saskatchewan, uranium area. Airborne surveys of approximately ¾ of the permit have been completed and the remainder will be finished in the next field season. Ground checking of anomalous areas will also be carried out during the summer.

### REVELSTOKE, BRITISH COLUMBIA

Field work in 1969 to check several anomalous areas proved negative and the claims will be allowed to lapse.



UNITED BATA RESOURCES

# AREAS OF MAJOR ACREAGE HOLDINGS IN WESTERN CANADA

W.CANADA SEDIMENTARY AREAS

INSERT

L. HURON  
TORONTO  
L. ONTARIO  
U.S.A.  
CANADA  
L. ERIE

SOUTHERN ONTARIO  
50,000 GROSS ACRES  
18% - 22% NET INTEREST

THELON MINERAL PROPERTY  
170,000 GROSS ACRES  
100% NET INTEREST

BEAUFORT SEA  
524,551 GROSS ACRES  
1/2% - 3% GROSS OVERRIDING ROYALTY

ALASKA NORTH SLOPE  
(PRIORITY APPLICATIONS)  
35,214 GROSS ACRES  
45% NET INTEREST

IMP ATKINSON  
OIL DISCOVERY

ARCTIC  
CIRCLE

GREAT BEAR LAKE

NORTHWEST TERRITORIES

YUKON

Whitehorse

Juneau

BOWSER BASIN  
3,258,785 GROSS ACRES  
100% NET INTEREST

PADDY  
3,402 GROSS ACRES  
50% NET INTEREST

SHEKILIE  
8,646 GROSS ACRES  
3% GROSS OVERRIDING ROYALTY

RAINBOW  
640 GROSS ACRES  
20% NET INTEREST

ALBERTA

CHUNGO  
69,120 GROSS ACRES  
12.5% NET INTEREST  
BLACKSTONE  
23,200 GROSS ACRES  
12% NET INTEREST  
STURROCK CREEK  
38,720 GROSS ACRES  
50% NET INTEREST

Ft. St. John

Wollaston  
Lake

Churchill

BRITISH COLUMBIA

SASKATCHEWAN

MANITOBA

KAMLOOPS MINERAL  
PROPERTY

STRACHAN-RICINUS  
52,480 GROSS ACRES  
9.074% - 33.75% NET INTEREST

EDMONTON

Red Deer

VANCOUVER

VICTORIA

REVELSTOKE MINERAL  
PROPERTY

CALGARY

SASKATOON

AVONLEA  
90,000 GROSS ACRES  
16.66% NET INTEREST

REGINA

HAPPY VALLEY  
44,800 GROSS ACRES  
10% NET INTEREST

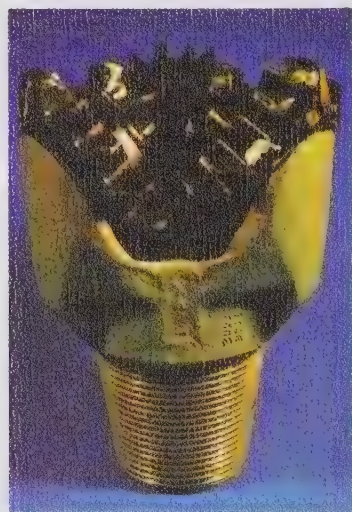
BOWDOIN  
32,000 GROSS ACRES  
37.5% NET INTEREST

BROWNING-KISBEY  
800 GROSS ACRES  
100% NET INTEREST

CANADA  
U.S.A.



# GLOSSARY



The technical terminology and jargon used by those whose livelihood depends on the discovery, development and production of natural gas and oil resources can be confusing to the layman and the uninitiated.

The following explanations of some of the technical and more common terms used by oilmen are intended to assist our shareholders in gaining a broader and more thorough understanding of the gas and oil industry.

**ALLOWABLE** is the maximum amount of gas or oil that governmental authorities will permit a well to produce during a given period.

An **ANTICLINE** is a fold or arch of rock strata, dipping in opposite directions from an axis.

A **BARREL** is the standard unit used to measure most petroleum products. In Canada, a barrel equals 35 Imperial gallons, or 42 U.S. gallons.

**CASING** is the steel pipe used to line a well in order to prevent it caving in.

A **CHRISTMAS TREE** is the cluster of control valves on the wellhead of a producing oil or gas well.

**CONDENSATE** is a liquid hydrocarbon produced from a well in association with gas.

A **CORE** is a cylindrical sample of underground rock formations which assist geologists in determining those formations which indicate the presence of gas or oil.

**CRUDE OIL** is petroleum as it comes from the earth.

**CRUDE AND NATURAL GAS LIQUIDS PRODUCED** means all liquid hydrocarbon production; in other words, the total of crude oil plus condensate, natural gasoline, propane, and butane produced from gas plants.

**CUTTINGS** are fragments of rock brought to the surface in the drilling mud during drilling operations.

**DEVELOPMENT DRILLING** is the drilling out of a proven property and equipping it with all the necessary production facilities.

A **DEVELOPMENT WELL** is a well drilled on a proven property.

A **DISCOVERY WELL** is a well that resulted in the finding of a new gas or oil field.

**DRILL PIPE** consists of 30-foot sections of hollow steel tubing that screw together and at the end of which is a bit which bores through rock strata much as a carpenter's drill bores through wood.

A **DRILL STEM TEST** is a method of determining the gas, oil or water content of a particular underground rock formation.

**DRILLING MUD** is liquid pumped down the drill pipe to prevent the bore hole wall from caving in and also to cool and lubricate the bit.

A **DRY HOLE** is a well which failed to find gas or oil in commercial quantities.

**ELECTRIC LOG** is a graph showing the electrical properties of rocks penetrated in the drilling of a well. The measurements indicate the top of each rock layer penetrated by the well, the presence of fluids, and other formation properties.

**EXPLORATION EXPENDITURES** are costs of geological and geophysical work and surveys, exploration and wildcat drilling expenses and rentals and other carrying charges.

**EXPLORATORY WELL** is a well drilled on unproven prop-



erty. It is sometimes called a wildcat well.

A **FAULT** is a fracture or fracture zone in the rock formations along which there has been a displacement of the two sides relative to one another parallel to the fracture.

**FISHING** is a procedure used to recover drill pipe that has broken and fallen into the hole drilled. The fishing tool is customarily a powerful magnet.

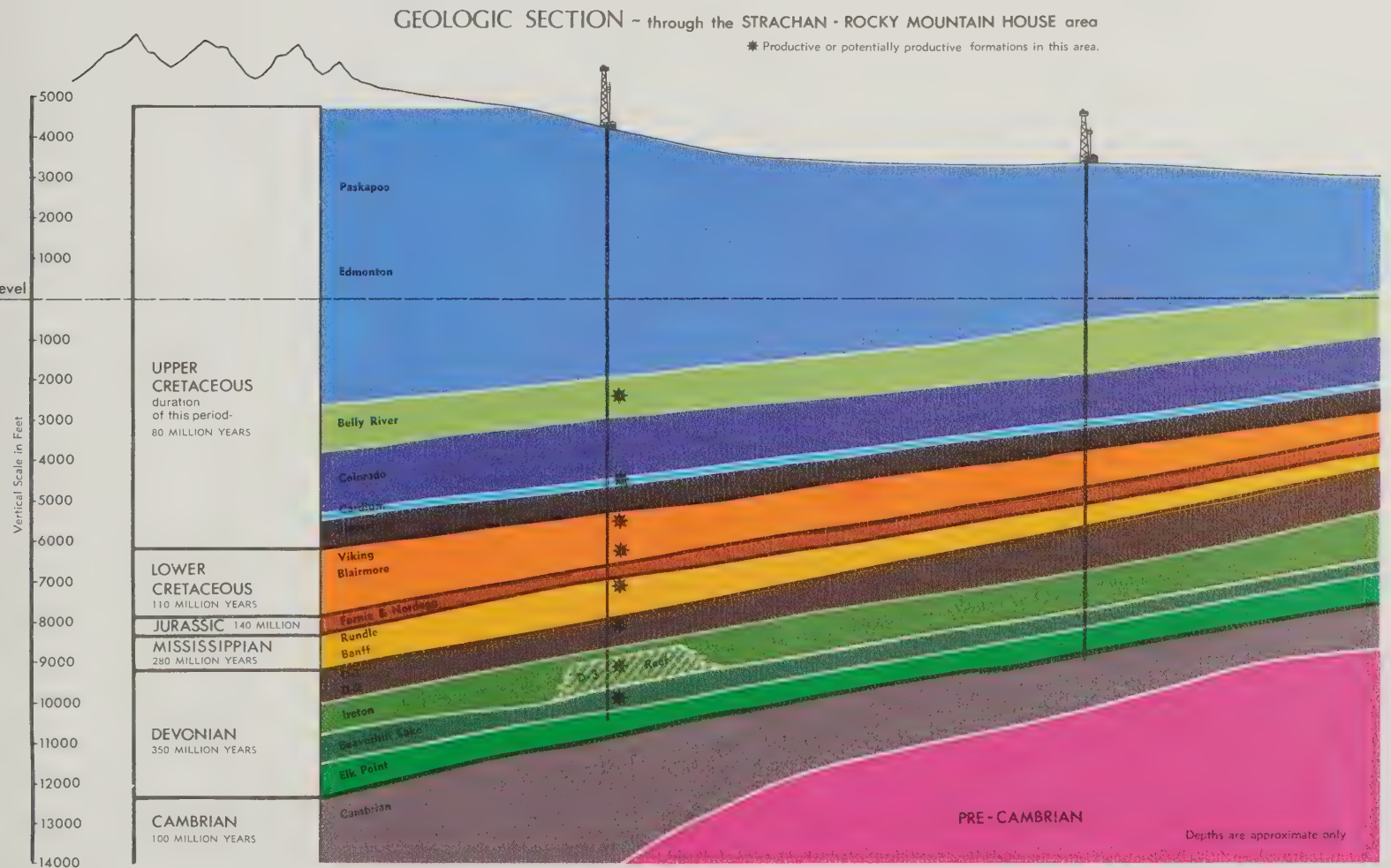
A **GAS PLANT** is a processing plant for the extraction of liquid hydrocarbons, sulphur, etc., from wet and sour gas and for the production of residue gas.

**HORIZON** is an underground rock formation.

A **MINERAL LEASE** is a contract between the owner of mineral rights and a second party as a lessee, granting the lessee the right to search for and produce minerals or other products on the property leased.

**MINERAL RIGHTS** mean the ownership of the minerals under the ground, with the right to remove them.

**NATURAL GAS LIQUIDS** are hydrocarbons – mainly propane, butane, condensate and natural gasoline – associated with the production of gas.





## FINANCIAL STATEMENTS 1969

NON-PRODUCING ACREAGE is acreage holdings in lease or reservation form which have not been fully evaluated.

PAY SECTION is the thickness of oil or gas-producing formation in a well.

PERFORATING is a method of completing producing wells by shooting steel bullets through the casing into the producing formation.

PRODUCTION - GROSS is the total production from a well, including the royalty owner's share.

PRODUCTION - NET is that portion of the total production from a well belonging to the producer.

A PRODUCTION TEST is a method of determining the capability of a well to produce gas or oil.

RAW GAS — sometimes referred to as "Lease Gas" — is a hydrocarbon produced from a well in vapor form prior to processing in a gas plant.

A REEF is a rock structure, either mound-like or layered, built by sedentary organisms such as corals.

RESIDUE GAS is natural gas which remains after all natural gas liquids have been extracted.

RIGGING UP is the term used when a crew assembles a rotary rig.

ROYALTY is a percentage of production income paid to a landowner for gas or oil produced on his land. A GROSS OVERRIDING ROYALTY is a royalty taken from gross production without any deductions whatsoever.

A SECTION is a unit of land one square mile in area and containing 640 acres.

SPUDDING IN is another term for commencement of drilling.

A TRAP is any geological condition which acts as a barrier to the migration of oil or gas through subsurface rocks, causing them to accumulate into oil or gas pools.

WET GAS is gas containing a relatively high proportion of hydrocarbons which can be separated in liquid form.

A WHIPSTOCK is a tool used to change the direction of the drill holes.

A WILDCAT WELL is a well drilled in an area where commercial quantities of gas and oil have not been known to exist previously.



October 31, 1969

CURRENT ASSETS:



Cash	\$	6,942	
Investment in marketable securities, at cost (quoted market value \$5,750)		6,961	
Due from joint venture participants		479,824	
Inventory of supplies		2,994	
Prepaid expenses		8,17	
Total current assets			504,892
INVESTMENTS in non-consolidated subsidiaries (Notes 2 and 3)			651
OTHER INVESTMENTS, at cost less amounts written off			20,000
FIXED ASSETS, at cost less depreciation and depletion:			
Producing oil and gas properties and development thereon (including capped gas wells \$355,639)	\$	752,345	
Lease and well equipment		230,272	
Furniture and fixtures		14,500	
Automotive equipment		22,380	
		1,019,497	
Less depreciation and depletion		52,576	
		966,921	
Non-producing oil and gas properties		2,865,488	
Non-producing mineral claims		160,696	3,993,105
OTHER:			
Refundable deposits		22,628	
Incorporation expenses		12,533	35,161
	\$	4,553,809	

CURRENT LIABILITIES:

Accounts payable and accrued liabilities . . . . .	\$ 757,800	
BANK LOAN, secured (Note 4) . . . . .	250,000	
7½% CONVERTIBLE DEBENTURES due January 1, 1979 (Note 5) . . . . .	7,000	
SHAREHOLDERS' EQUITY (Notes 5 and 6):		
Capital stock:		
Shares with a nominal or par value of 50 cents each. Authorized 10,000,000 shares; issued 8,431,690 shares . . . . .	\$ 4,215,845	
Contributed surplus . . . . .	494,423	
	<u>4,710,268</u>	
Deficit being the net loss for the period from date of commencement of operations December 20, 1968 to October 31, 1969 . . . . .	(1,171,259)	3,539,009

## CONTINGENCIES AND COMMITMENTS (Notes 7 and 8)

Approved on behalf of the Board:

rd:   Director

 Director

We have examined the consolidated balance sheet of United Bata Resources Limited (Non-Personal Liability) as of October 31, 1969 and the consolidated statements of profit and loss and source and application of funds for the period from date of commencement of operations December 20, 1968 to October 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company at October 31, 1969 and the results of its operations and the source and application of its funds for the period from date of commencement of operations December 20, 1968 to October 31, 1969, in accordance with generally accepted accounting principles.



**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
For the period from date of commencement of operations  
December 20, 1968 to October 31, 1969

ISSUE OF 7,802,015 SHARES under agreements (Note 6) .....			\$ 3,901,007
TO PURCHASE:			
Working capital .....			\$ 260,379
Other assets .....			3,640,628
			<u>\$ 3,901,007</u>
SOURCE OF FUNDS:			
Working capital acquired under agreements .....			\$ 260,379
Issue of share capital .....			809,261
Issue of 7½% convertible debentures .....			500,000
Proceeds on sale of fixed assets .....			1,080,177
Proceeds on sale of investments .....			83,000
Bank loan .....			250,000
Other .....			2,875
Total funds available .....			<u>2,985,692</u>
USE OF FUNDS:			
Operations:			
Net loss for the period .....			1,171,259
Deduct charges not requiring an outlay of funds:			
Write down of investments .....	\$ 177,219		
Depreciation and depletion .....	52,576		
Dry holes and abandonments .....	597,859		
Other .....	361		828,015
Net funds used in operations .....			<u>343,244</u>
Purchase of fixed assets .....			2,390,329
Purchase of other assets .....			12,027
Conversion of 7½% convertible debentures .....			493,000
Total funds used .....			<u>3,238,600</u>
Working capital deficiency .....			<u>\$ 252,908</u>

See accompanying notes to financial statements.



# united bata resources limited

(Non-Personal Liability)

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the period from date of commencement of operations  
December 20, 1968 to October 31, 1969

REVENUE:		
Production and royalty .....		\$ 40,654
EXPENSES:		
Production .....	\$ 17,825	
Lease rentals, non-producing properties .....	37,460	
Depreciation and depletion .....	52,576	
Dry holes and abandonments .....	597,859	
Operating and general (Note 9) — schedule .....	359,700	1,065,420
Net loss before the following .....		1,024,766
WRITE DOWN OF INVESTMENTS .....	177,219	
INTEREST EARNED .....	( 30,726)	146,493
Net loss (Note 10) .....		\$ 1,171,259

## SCHEDULE OF OPERATING AND GENERAL EXPENSES

For the period from date of commencement of operations  
December 20, 1968 to October 31, 1969

Bank charges and interest .....	\$ 19,000
Shareholders:	
Information and printing .....	18,552
Registrar and transfer agents .....	12,252
Public and business relations:	
Fees .....	13,568
Other .....	8,536
Professional fees:	
Legal and audit .....	74,676
Geological, geophysical and engineering .....	19,641
Toronto office, fees and expenses .....	44,905
Taxes and licenses .....	1,437
Maps and reproductions .....	4,031
Books and publications .....	1,747
Insurance .....	2,640
Salaries and fees .....	79,426
Employee benefits .....	1,881
Travel .....	26,239
Automotive .....	4,020
Telephone and telegraph .....	9,775
Office rent and expense .....	17,374
	<u>\$ 359,700</u>

See accompanying notes to financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 1969

1. INCORPORATION:

The Company was incorporated under the laws of the Province of British Columbia on October 21, 1968 and commenced operations on December 20, 1968.

2. PRINCIPLES OF CONSOLIDATION AND ACCOUNTING POLICIES:

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, Bata Resources Inc. All intercompany accounts and transactions have been eliminated on consolidation. Two other wholly-owned subsidiaries, Bata Utilities Ltd. and Resource Management Ltd., have not been consolidated since these companies have been inactive since acquisition and the directors have resolved that they be wound up.

All costs of oil, gas and mineral properties are capitalized when acquired. When properties are proven to be productive the original cost is transferred to the producing oil, gas and mineral properties account and written off by a depletion charge calculated on the unit of production method.

All drilling and exploration costs are initially capitalized. If on completion, a well is not capable of commercial production or a property proves to be unproductive, costs are immediately written off. The costs of successful wells and exploration, other than equipment costs, are written off by depletion charges on the unit of production method in the same manner as the cost of producing oil, gas and mineral properties.

Equipment costs are depreciated on the reducing balance method at rates estimated to write off the costs over the useful lives of the assets.

3. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES:

Bata Utilities Ltd. . . . .	\$650
Resource Management Ltd. . . . .	1
	<u>\$651</u>

Investments in non-consolidated subsidiaries have been written down to estimated realizable value.

4. BANK LOAN:

The bank loan is secured under Section 82 of the Bank Act (Canada) by assignments of the Company's interest in certain hydrocarbon reserves. Under the terms of the loan agreement; principal repayments are to commence no later than January 1, 1971, the term of repayment is not to exceed seven years. The Company's bankers are prepared to extend up to \$7,000,000 under this line of credit.

5. 7½% CONVERTIBLE DEBENTURES:

The 7½% convertible debentures are secured by a first floating charge upon the Company's undertaking, business and property both present and future.

The debentures are convertible into common shares of the Company at prices per share escalating from \$1 to \$3. During the period ended October 31, 1969 debentures in the principal amount of \$493,000 were converted into 493,000 common shares of the Company at \$1 per share. On December 23, 1969 the remaining debentures in the principal amount of \$7,000 were also converted into 7,000 common shares of the Company at \$1 per share. As the result of these conversions, no interest has been paid or is payable in respect of these debentures.

500,000 share purchase warrants now detached from the debentures are outstanding and confer upon the holders thereof the right to purchase in the aggregate 500,000 shares of the Company during the period ended January 1, 1979 at prices escalating from \$1.50 to \$3.50 per share.

6. CAPITAL STOCK:

Under the terms of incorporation 10,000,000 shares without nominal or par value were authorized at a maximum price of \$1 each of which 7 shares were issued for a cash consideration of \$7.

By a directors' resolution dated January 7, 1969 the maximum issue price was increased from \$1 per share to \$3 per share.

Subsequently, the Company granted to certain senior management employees the right to purchase during the period January 7, 1969 to January 6, 1972 an aggregate of 200,000 shares of the Company at prices escalating from \$3.00 to \$3.50 per share.

By a special shareholders' resolution dated February 12, 1969, the Company altered its capital stock from 7 shares issued and 9,999,993 shares unissued without nominal or par value, maximum consideration not to exceed \$3 per share as follows:

- (a) Share capital increased to 60,000,000 shares without nominal or par value, maximum consideration not to exceed 50 cents per share comprising 42 shares issued and 59,999,958 shares unissued;
- (b) 50,000,000 authorized and unissued shares cancelled;
- (c) 35 issued shares surrendered by way of gift and cancelled without diminution of the number of shares authorized;
- (d) Shares without nominal or par value altered to shares with a nominal or par value of 50 cents each.

Subsequently, the Company entered into agreements effective as of December 20, 1968 with each of Stampede Oils Ltd. (In Voluntary Liquidation), Galaxy Copper Ltd. (In Voluntary Liquidation), Bata Resources Limited (In Voluntary Liquidation), to purchase the whole of their business and properties in consideration of the assumption of all their liabilities, obligations, winding up costs and the issue in the aggregate of 7,802,015 shares of the Company. In addition, the Company may be required to issue additional shares, to permit the shareholders of Galaxy Copper Ltd. (In Voluntary Liquidation) to receive one full share of the Company for any fraction of a share of the Company to which they would otherwise be entitled.

Prior to the date of the aforementioned agreements Bata Resources Limited had entered into certain stock option agreements with three of its directors. The Company expressly assumed the obligations of Bata Resources Limited (In Voluntary Liquidation) under these agreements and granted to these directors on a share for share basis the right to purchase during the period ending January 6, 1972 an aggregate of 165,000 shares of the Company at prices escalating from \$1.50 to \$2.00 per share.

An option granted to an officer conferring the right to purchase up to 15,000 shares of the Company at prices escalating from \$8 to \$12 per share was amended so as to provide that such officer has the right to purchase up to 5,000 shares annually during each of the three years extending from October 1, 1969 to September 30, 1972 at a price of \$5.00 per share.

The Company has also granted to an employee the right to purchase up to 5,000 shares annually during each of the three years extending from October 1, 1969 to September 30, 1972 at a price of \$5.00 per share.

During the period stock options were exercised to the extent of 136,668 shares for a cash consideration of \$316,254 of which \$68,334 was credited to capital stock and \$247,920 to contributed surplus. Stock options were cancelled during the period to the extent of 66,666 shares. 493,000 shares of the Company were issued upon conversion of the 7½% convertible debentures (Note 5), at a price of \$1.00 per share, of which \$246,500 was credited to capital stock and \$246,500 was credited to contributed surplus.

The Company on behalf of its wholly-owned subsidiary has entered into an agreement to issue 17,770 shares for the purchase of certain oil and gas interests.

The aggregate of the options outstanding at October 31, 1969 amounted to 191,666 shares at prices ranging from \$1.75 per share to \$5.00 per share.

The Company has specifically reserved the following shares at October 31, 1969:

7,000 shares for exercise of conversion privilege attaching to the 7½% convertible debentures
500,000 shares in respect to stock purchase warrants
17,770 shares for the purchase of certain oil and gas interests
191,666 shares in respect to stock options referred to above
<u>716,436</u>

7. COMMITMENTS:

During the year ended October 31, 1970 the Company is committed to expend approximately \$4,000,000 towards a gas plant and gathering system now under construction.

8. CONTINGENCIES:

Pursuant to the agreements entered into with each of Stampede Oils Ltd. (In Voluntary Liquidation), Galaxy Copper Ltd. (In voluntary Liquidation) and Bata Resources Limited (In Voluntary Liquidation), see Note 6 to the financial statements, the Company is contingently liable for the following:

- (a) any liabilities found to be payable by the above companies including share distribution and winding up costs;
- (b) any claims whatsoever which might arise by virtue of the distribution of the shares of the Company to the shareholders of each of the above companies.

No provision has been made in the accompanying financial statements in respect of the foregoing.

9. REMUNERATION OF DIRECTORS:

The remuneration paid during the period to directors as employees of the Company was \$25,833.

10. INCOME TAXES:

For income tax purposes the Company is entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation for tax purposes) in amounts which may exceed the related depletion and depreciation provisions reflected in its accounts. For 1969 the Company does not intend to claim excess capital cost allowance but will claim the other specified deductions in an amount sufficient to eliminate taxable income, and expenditures remain to be carried forward and applied against future taxable income as follows:

Drilling, exploration and lease acquisition costs . . . . .	\$ 2,551,000
Undepreciated capital cost . . . . .	\$ 240,000

Management does not believe that it is appropriate to provide for income taxes deferred as a result of claims for drilling, exploration and lease acquisition costs; while the view of management conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada, it differs from the tax allocation basis of accounting recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants under which the income tax provision is based on the income reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income taxes of \$53,100 would have been provided and the net loss for the period from date of commencement of operations December 20, 1968 to October 31, 1969 would have been increased accordingly. The accumulated income tax reductions relating to all timing differences amount to approximately \$53,100 at October 31, 1969.



## **DIRECTORS**

K. P. BOTTOMS, Calgary, Alberta  
Z. CLIMAN, Montreal, Quebec  
A. L. COLVIN, Dallas, Texas  
P. DeZWIREK, Toronto, Ontario  
R. HENSON, Toronto, Ontario  
B. KOSMAN, New York, New York  
A. A. W. KRYCZKA, Calgary, Alberta  
R. S. LENNIE, Vancouver, British Columbia  
W. H. PRICE, Calgary, Alberta  
F. A. SCHULTZ, Dallas, Texas

## **OFFICERS**

F. A. SCHULTZ, Chairman of the Board  
A. A. W. KRYCZKA, President  
W. H. PRICE, Vice-President  
P. DeZWIREK, Vice-President  
J. B. COTSWORTH, Secretary-Treasurer

## **MANAGEMENT**

A. A. W. KRYCZKA, B.Sc., M.Sc., F.G.A.C., P.Geol. — PRESIDENT  
W. H. PRICE, B.Sc., P.Eng. — VICE-PRESIDENT  
J. B. COTSWORTH, B.Comm., C.A. — SECRETARY-TREASURER  
J. K. GROVE, R.M.C., A.A.P.L. — CHIEF LANDMAN  
N. S. BRUMWELL, B.Sc., P.Geol. — CHIEF GEOLOGIST

## **HEAD OFFICE**

1070 Elveden House, Calgary 2, Alberta

## **BANKERS**

THE BANK OF MONTREAL, MAIN BRANCH  
140 - 8th Avenue S.W.

Calgary 2, Alberta

CANADIAN IMPERIAL BANK OF COMMERCE

25 King Street West

Toronto, Ontario

## **REGISTRAR AND TRANSFER AGENT**

CANADA PERMANENT TRUST COMPANY

455 Granville Street

Vancouver, British Columbia

1901 Yonge Street

Toronto 1, Ontario

315 - 8th Avenue S.W.

Calgary 2, Alberta

600 Dorchester Boulevard,

Montreal, Quebec

## **AUDITORS**

PEAT, MARWICK, MITCHELL & CO.

309 - 8th Avenue S.W.

Calgary 2, Alberta

## **EXCHANGE LISTING**

Vancouver Stock Exchange



**united bata resources limited** (n.p.l.)